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Correspondent of The National City Bank of New York.

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Economic Conditions
Governmental Finance
United States Securities

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Foreign Affairs

THE failure of the Genoa Conference to accomplish definite results has not been a great disappointment, for great expectations had not been builded upon it. The most hoped for by those familiar with the difficulties was that the meeting of leading men from all countries would modify antagonisms, and result in their returning home with a better understanding of each other and of the common need for co-operation in restoring the conditions essential to trade and industry. Despite the friction which developed, probably this much has been realized. A pledge was agreed to, binding for a limited period, that no aggressive military action would be taken, together with a further agreement to meet at The Hague at an early day for further conference over the relations with Russia and other matters.

The making of the treaty between Germany and Russia was a disturbing feature, the Allies regarding it as a threat and perhaps a real menace. That the Germans are eager to get into Russia, and regard that field as affording the most hopeful opportunity for rebuilding their fortunes, there is no doubt but observers most familiar with the situation believe that the purpose of the Russian Soviet leaders was to excite the fears and cupidity of other nations, rather than to tie up in a preferential way with Germany. They are intensely nationalistic, with no intention of permitting any foreigners to obtain a dominant position in Russia, and are even more afraid of the Germans acquiring such a position than that other nationals may do so. They want foreign loans and industrial leadership from outside, but they especially want a large loan direct to the Russian Government.

In the reply of the Russian delegation to the memorandum submitted by the other powers it is set forth that loans by foreign governments to their own nationals to enable them to grant credits in Russia and carry on operations in that country will not accomplish the desired purpose. The language of the reply touching the suggestion that the other governments might lend credit to their own traders, is as follows:

> This question, however interesting it may be for the private trader of other countries, has no relation to the question put up by the Russian delegation. Moreover, these private merchants and manufacturers cannot employ these credits to the full extent if the Russian Government is not assured of the financial means necessary to assist the productive powers of the country, an indispensable condition of commercial relations of any importance between Russia and other countries.
>
> If the Russian Government lacks the financial resources or credits to assist industry and agriculture, restore the means of transport and establish a stable currency by stopping the issue of continuously depreciating paper rubles, foreign commercial relations of any magnitude will be met by very great difficulties.

This at least appears to be a frank declaration of the dependence of the present Russian authorities upon outside aid to re-establish the industries, and the reference to the need for a stable currency should have the attention of the people in this country who see no reason why governments should not print money to provide an adequate supply for everybody.

The Russian reply was accompanied by a lengthy statement upon the claims of Russia against the governments charged with supporting Kolchak, Denekin, et al., and an argument upon the right of a revolutionary government to repudiate the obligations of a preceding government, with which the other delegations had little patience, nevertheless, the conferring powers were disposed to continue the negotiations, hence the arrangement for The Hague meeting.

The German Reparations.

The relations between France and Germany are again the center of interest, May 31st having been fixed as the limit of time allowed for Germany's acceptance of the most recent modifications of the treaty. The situation is waiting upon deliberations by the Reparations Commission and foreign bankers as to the feasibility of a foreign loan to enable Germany to make immediate payments and secure needed supplies of raw materials and other imports. Under an arrangement which the German Government has with German ex-

porters the latter turn over the foreign bills arising from their exports, receiving German paper currency in reimbursement therefor, and thus supplying the Government with the means of making the reparation payments. This acquisition of foreign bills by the Government, however, takes from the public market the means by which importers are accustomed to settle for their purchases abroad. According to the statement of German trade given out by the government, imports exceeded exports in the calendar year 1921, and although January and February showed a small excess of exports, in March imports again were ahead. If these figures give a correct showing of the situation it is evident that if the exports are devoted to reparation payments, imports must be paid for either by private or public borrowing. The latter is out of the question unless authorized by the Reparations Commission upon terms that place the indebtedness so incurred in a preferred position, ahead of the remaining reparation claims. Private borrowing under existing conditions is scarcely more practicable than public borrowing.

Leading bankers of Germany insist that it is impossible for that country to procure necessary imports unless either given a respite from reparation payments or given a foreign loan, and on the face of her foreign trade statement this appears to be the logic of the situation.

It is evident, however, that in order to make a German loan go in international markets it will be necessary to have a comprehensive plan for the settlement of all uncertainties in Germany's financial status, those relating to internal administration as well as those existing between Germany and the Allies.

General Business Conditions

The general business situation has continued favorable from month to month until confidence is now well established that the worst of the inevitable post-war depression is over. The recovery reflects the great recuperative powers which this country has within itself, but has been aided by a similar demonstration in other countries. Despite the seemingly almost insoluble problems arising from the war, and all the political controversies, racial antagonisms and half-baked social and economic theories that contribute to the confusion, the world has a tendency to a state of order. Prosperity is the fruit of a state of ordered, balanced and reciprocal industry, in which everybody works at rendering some service to others and gets his pay in the services which they render to him. Although an appalling ignorance of mutual interests is constantly displayed, people are bound to strive unceasingly to improve their relations with each other.

The most potent general factor in the revival of trade has been the exhaustion of stocks, the wearing out of things in use, bringing consumers to the necessity of coming into the markets to supply their own wants and of selling what they might have, to provide the means of purchase. The pressure of reciprocal wants gradually brings all branches of industry to the readjustments that have to be made.

In the case of foodstuffs and the leading raw materials of industry there are no large supplies being carried over, unless we except corn, which does not enter readily into consumption until it has been converted into meat. The grains chiefly used for bread are closely used up, the world depending upon full crops each year. In the chief materials of clothing, wool and cotton, the carry-over existing since the war has been reduced in an important degree during the past year. These conditions give an assurance of a stability in the principal agricultural staples which has not been felt since the Fall of 1920.

The stocks of metals, notably copper, zinc and lead, on hand at the end of the war likewise have been liquidated, and production has revived with a wholesome recovery of prices.

The state of ease that has developed in the money market, as evidenced by the liquidation of the Federal Reserve banks, the ready absorption of investment securities, and the rise of the bond and stock markets, is a condition favorable to business expansion. It does not follow, however, because a substantial revival from the extreme state of depression has taken place, that we shall have uninterrupted or rapid recovery to full activity in all lines. A readjustment of industrial relations is under way and has produced the improvement in sight, but complete readjustment has not been accomplished, either in our international or our domestic relations.

Foreign trade is better. The South American countries which produce raw materials and foodstuffs are finding better markets, working off the surplus stocks of merchandise which have embarrassed them, and beginning to buy again in substantial amounts. Conditions in Asia are improving, the price of silver, now above 70 cents, is 10 cents or more above the low point, and is helpful to trade with Asia. The foreign exchanges are stronger, which means a more favorable condition for foreign buyers in this market.

The Leading Industries.

The shortage of dwelling houses, which has forced great activity in house-building all over the country, has been perhaps the leading influence for industrial revival. It has been an

imperative situation, for the country is very much behind in housing accommodations, and it has been expected ever since the industrial depression set in that building operations in this line would be a strong factor in the general recovery. The firm of Monks & Johnson, architects and engineers, in a bulletin upon the subject, summarize the situation in this field as follows:

As nearly as we can tell the average level of wages in the building trades is about 50 per cent above that of 1913. This means that the cost of building materials has been brought down to the general price level of all commodities and of labor in the building trades, all of which stand at approximately 50 per cent above pre-war figures. In our opinion this is as far down as they will go until something is done to bring railway wages and coal-mining wages in line with wages paid in other occupations.

At present the volume of building construction is very great and is on the increase. This increase means rising prices. As prices rise perceptibly many deferred building projects will be started by owners anxious to build before costs get too high for profitable operations. The entrance of these owners into the market will make it rise still more.

The constantly increasing availability of funds in banks and in the hands of investors indicates clearly that business is not now lacking available capital whenever a real reason can be demonstrated for its use. Much of this available capital is already being employed in building construction.

The activity of building operations has had wide ramifications, stimulating the production of all kinds of building materials, helping employment in many lines and supplying more freight for the railroads.

The easing money market, with falling rates of interest, has enabled the railroads to adopt a more liberal policy in the purchase of equipment. Buying has been almost at a standstill since the war, and even during the war was below the average of previous years. Orders placed since the first of January, according to the Iron Trade Review, aggregate 85,000 cars, compared with 23,346 cars in the whole of the year 1921, and 84,207 in the year 1920.

The implement business, although still far from normal, is much better than last year. After a year in which purchases were almost wholly suspended, it is natural that there should be more buying, but the situation is also very much helped by the recovery in the prices of farm products and the more cheerful spirits thus engendered.

The automobile industry came back with a strong swing at the opening of the out-door season. April seems to have been the best month in the manufacture of pleasure cars in the history of the industry. This is significant not only of the stability of the industry, but of better financial conditions throughout the country. The motor truck industry also has made a good recovery.

The Iron and Steel Industry.

The iron and steel industry has benefited by the revival of building, the contracts for railroad equipment, better demand for implements, heavy sales of automobiles, increased activity in the oil fields and general improvement in the other industries. It is now operating at about pre-war capacity. Structural steel awards in April equalled the capacity of the fabricating works.

Important developments have occurred in the iron and steel industry during the past month. A merger of well-known producers has been under discussion for a long time, but during the month the Bethlehem company, which has been outside the group, sprang a surprise by taking over Lackawanna, located at Buffalo. The remaining companies which have been in conference, of which Midvale, Republic and Inland Steel are the more important, are still in negotiations and several smaller ones may join them. The Government has been aroused to make inquiry as to how the public interests will be affected, and some hasty comments upon the subject have been made. The fact seems to be that during the depression it has been demonstrated that the United States Steel Corporation is able to produce upon the whole more cheaply than these single companies, and that it has an advantage in deliveries by reason of its plants in different parts of the country. The competing companies calculate that they can reduce production costs and sell to better advantake by combining. The theory that consolidations will enable them to charge what they like is not sustained by past experience. The prices of iron and steel have fallen since 1920 by a greater average percentage than the price of any other group of products excepting those of the farm.

The capacity of the United States Steel Corporation is calculated to be 47 per cent of the productive capacity of the country; that of the Bethlehem-Lackawanna combine about 10 per cent and that of the Midvale-Republic-Inland combine slightly above the latter. There are numerous independent companies which will continue to be aggressive factors in the iron and steel business, and no likelihood that a monopoly will be established.

Other Lines of Industry.

The revival indicated above naturally has affected all lines to some extent, but the improvement is not uniform. Retail trade the country over is not back in full proportions, and the industries ministering to the common needs of the population are still under normal activity. This is true of clothing, dress goods and shoes, although these are picking up. The advance of raw wool has had an unwelcome reaction in the rise of woolen goods, which tends to offset in prices of clothing the wage concessions recently obtained in the clothing industry. However, the transfer of some of

the earnings of the wage-earners in that industry to the wool-growers tends to restore the natural balance.

The tanning industry still complains of narrow margins, there still being considerable stocks of leather, and hides having advanced more than leather. The slow consumption of staples reflects economy in personal expenditures, especially in the agricultural districts, where there is pinching to pay debts. Carloadings, however, continue to make a good showing, the figures for cars loaded with revenue freight in the week ended May 13 being 777,359, as compared with 751,186 in the corresponding week last year, and 843,145 in the corresponding week of 1920.

The reader who is not familiar with the statistics of industry in good and bad times probably will be impressed that the difference between the volume of freight moving when business is at the top-notch of activity and when it is in the depths of depression is less than would be naturally supposed. In fact, the total movement of freight in the United States in 1921 was about 25 per cent less than in 1920.

The Harvard Economic Service estimates that at no time in 1921 was the industrial output of the country lower than 70 per cent of normal, and estimates it now at 95 per cent. Certain it is that the industrial organization is so closely joined that the great bulk of the regular work and exchanges goes on at all times. The percentage of profits saved from the business fluctuates in much larger degree. In considering these percentages it must be borne in mind that the number of people in the great occupation of agriculture scarcely fluctuates at all.

The Labor Situation.

The coal strike is the outstanding fact in the labor situation, and it must be considered remarkable that this has had so little influence upon general business, being to all appearances ignored. Although the buying of iron and steel may have been in a degree stimulated, its effect elsewhere has been negligible. The non-union coal districts are not operating to capacity, and a large amount of coal stands constantly in unconsigned cars awaiting buyers. Reports from some localities say that coal has sold at lower prices within the past week than a month ago. The indisposition of consumers to stock up bespeaks a general belief that the strike will be settled at least without any increase of prices, and that there will be no trouble about getting coal.

There is so great a surplus of capacity in the bituminous industry that a basis for this confidence exists, but the situation is more serious in the anthracite field, where there has been practically no surplus labor and little idle time for the miners. The strike has lasted two months, and no progress toward a settlement appears to have been made. With so much working time lost there is reason for apprehension that there may be a shortage of anthracite next winter. The miners in the anthracite field are fully aware that they hold a strong position, as none but skilled miners may dig anthracite coal, and they are disposed to make the most of it.

A Menace to Social Progress.

The same is in great degree true of the attitude of the bituminous miners. The situation affords a striking illustration of the weakness of the highly organized modern industrial system, in which production is carried on by groups of people exchanging products and services. It is a vast interdependent system, dependent throughout upon good faith, fair dealing and a broad view of mutual interests. The work of the coal miner or railroad employe is no more essential to the welfare of society than the work of the farmer or the worker in many other industries, but the opportunity to combine is more favorable, and the chances of success for a combination are better.

Alliance of Coal Miners and Railroad Employes

The recent action by the miners and railroad men in forming an alliance can be interpreted in no other way than as an effort to perfect their joint control over the mines and the railroads, with a view to compelling the rest of the people to accept the terms, which the combine may impose. It is a threat of arbitrary power, inconsistent with the mutual obligations upon which modern society rests. This, of course, is not saying that the miners and railroad men are an exceptionally bad lot; we know they are not; as individuals they would be as kind, considerate and helpful as the average of other people, but, as with most people, they have such a bias for the interests of the group or class that they do not see the fundamental rights underlying all others and which must be respected if orderly society is to endure. When a relatively small group claims, by reason of its strategic relations to the industrial organization, the right to put the lives or welfare of the population in jeopardy, it aspires to an exercise of power that society will not tolerate. When rights and interests come in conflict all parties are bound to have a voice in the settlements.

They talk in the language of sentiment and lofty ideals of the stand they are determined to make in behalf of their families for a certain standard of living, but they are claiming the privilege of fixing a standard for them-

selves, to be maintained by lowering the standards of other people.

Nearly every class and group of workers in the country, excepting the miners, has taken a reduction of wages. Even the railroad employes have taken a reduction of 12 per cent. The miners alone are still receiving wages upon the scale adopted when the cost of living was at the highest level. They are receiving the services of all other trades and occupations at lower compensation, but insisting that the others shall continue to pay for mining coal at the extreme rate. The position becomes more unreasonable every day as wage-reductions in other lines are made. It is not a contest between the miners and their employers but between the miners and the workers who supply them with bread, meat, clothing and all the comforts which make their standard of living.

The Railroad Situation.

The railroad situation has had several important developments. The Inter-State Commerce Commission has ordered a 10 per cent reduction of freight charges, with allowance from it for the reductions since the general increase of 1920 took place. Included in the order was a statement that the Board had reviewed its estimate of $18,900,000,000 as the value of railroad property upon which under the law the companies were entitled to earn a fair return, and after taking account of the additional information made available by its valuation force in the last year and a half, had rested upon that estimate. The two years in which the rate prescribed by the law was to be in force having expired, the Board announced that it would adopt 5¾ per cent as the "fair return." The rate fixed in the law was 5½ per cent, with an additional ½ per cent to cover improvements which did not contribute to earnings and could not be properly capitalized. The announcement by the Commission does not refer to such improvements. Apparently the Board rate does not differ materially from the rate named in the law.

The country undoubtedly needs lower freight rates, but not as much as it does new railroad equipment and the increased facilities of every kind that will be wanted by reviving business. These cannot be had without fair treatment for railroad investments. The Interstate Commission believes that the volume of business will increase and that lower freight rates will aid to that end. The railroad companies are themselves interested in the policy that will best promote net earnings, and have indicated their willingness that all reductions in operating expenses shall be absorbed by rate reductions.

Railroad Wages

The Railroad Labor Board has rendered its first decision in the wage cases pending before it, cutting the rates of pay of the maintenance-of-way employes some 10 or 12 per cent. If this rate of reduction is carried through the service it will put the wage bill back to about where it was before the general increase of 1920.

The Railroad Labor Board has asserted its own prerogative by denying the right of the companies to contract with outside shops for the repair of equipment. It argues that the act creating the Board was intended to avert strikes and a suspension of traffic, and that the policy of letting work by contract might cause strikes. This is true, but there is room for difference of opinion as to how far the jurisdiction of the Board extends. It is desirable that so far as possible the responsible officials of the companies shall have some control over operating expenses. In the interest of the public it is the more important in view of the statement by the Board that it does not consider itself bound to make wages in the railway service conform to wages for similar work outside the railway service.

If this means anything more than that wages should be sufficient tc attract a reliable class of employes and that experience and faithful service should be recognized, it asserts a wrong principle. It is no part of the business of the board to set up artificial wage standards. The wages of railroad employes must be met by the railroad charges, and the people who pay the latter have as good a claim to consideration as the employes.

Agricultural Conditions.

The Spring season has been cold and wet over the principal agricultural districts, but with the exception of cotton none of the principal staples have had their prospects injured by these conditions. The Spring wheat outlook is favorable, although the acreage is not quite up to last year. The Winter drought caused an exceptionally large acreage of Winter wheat to be abandoned in Kansas, but the abundant rains have filled the ground with moisture, a condition which usually means abundant crops of all kinds in that part of the country. The official State estimate upon the Kansas wheat crop is 108,560,000 bushels, which compares with about 127,000,000 bushels last year, but with present growing conditions the yield is likely to grow over the estimate. Corn planting is well advanced, and the moisture content of the soil augurs well for that crop. Talk of a curtailment of acreage has died away as prices have advanced, and the farmers doubtless will plant all they can. Labor is plenty and costs well below recent years.

For the important crop of cotton the prospect is not so good. Weather conditions have been unfavorable for as large an increase in acreage as has been expected, and estimates are now about 8 of 10 per cent. The worst reports relate to the boll weevil, said to be in evidence and threatening over the entire cotton-growing territory. Unless the weather from now on is of the right kind and the weevil is less destructive than most observers apprehend, there is serious danger that the crop will not make 12,000,000 bales, the figure generally estimated as required to meet the world's needs. The Bureau of Markets, Department of Agriculture, has compiled reports from over all countries indicating that the consumption of cotton is now back upon practically the pre-war basis, and requiring about 21,000,000 bales in a year. At that rate the United States should supply fully 12,000,000 bales.

The growing season has been backward in Europe as well as here, and the outlook for the crops there is not considered over-promising. Poland probably will raise more grain than last year, but this gain may be offset by reductions elsewhere. India has just harvested a good crop of wheat which represents a substantial gain to the world's supplies.

Tariff Revision

The upward revision of the tariff which is in process in Congress is causing no small amount of confusion and anxiety in business circles, and increases the complexity of our international relations. Every change, although made for the purpose of benefiting some American industry, has effects reaching beyond that industry, and often far beyond what have been foreseen. It is not necessary in questioning the wisdom of disrupting trade relations still farther at this time, to enter into an argument over the achievements of the protective policy in the past. There are many people who believe it has rendered great service in diversifying and developing our industries, but who recognize that the questions of today are not the same as the questions of the past. We have now a highly developed state of industry and trade, and must consider how every change in the tariff will affect the existing status. A tariff schedule should be intensely practical. For instance, the press report makes the following reference to a discussion in the Senate over a proposed duty on cyanide, to protect its manufacture in this country:

> Senator Sterling called attention to the importance of cyanide to the gold and silver mining and citrus fruit industries, and asserted that the proper protection of them called for free cyanide.

This argument prevailed and cyanide was made free. And so in the case of hides the farmers' bloc, after taking account of the compensatory duty proposed on shoes, is reported to have concluded to be content with free hides and free shoes. This, however, does not leave the shoe manufacturer free from effects of the new tariff. His employes will have to be compensated for any advance in clothing, sugar or other articles of common consumption which will cost more as the result of higher duties. We have a growing volume of shoe exports, but every act of Congress which makes the cost of living higher for shoemakers is a handicap upon this export business.

Relations With Cuba.

The increased duty on sugar for which the farmers' bloc is contending, if finally adopted, will be a direct out-of-pocket expense to all farmers, as well as all wage-earners in the country, but the farmers who do not grow sugar beets are supposed to be compensated by the duties on corn, wheat and other products, most of which are being exported in quantities on the basis of world prices. Cuba is commercially almost a part of the United States. There is no reason why trade relations with the Island may not be considered as of the same mutually compensatory and beneficial character as the trade relations between Minnesota or California and the other states of the Union. The difference in climate makes an exchange of products naturally advantageous. The climate and soil make sugar in Cuba with less labor, as everybody agrees, than it can be made in the United States. Other important agricultural products can be grown to better advantage in the United States. Cuba is without coal and has few manufacturing industries. There is a natural exchange of sugar and other tropical products grown on the Island for flour, meats, clothing, shoes, steel, machinery and other manufactures. Cuba took $30,000,000 worth of cotton goods from us in the last fiscal year, $15,000,000 worth of shoes, $20,000,000 worth of railway equipment, and so on. In short it is a reciprocal relationship, no different in practical character from that with Minnesota and California. The rest of the states do not merely tolerate Minnesota and California to help the two states, but rejoice in the mutual advantages accruing all around. There is no reason why natural trade with Cuba should be regarded in any other light.

Relations With Canada.

The same is true of our relations with our neighbor on the north. The "emergency" tariff on wheat of 35 cents per bushel was hastily applied about one year ago, to hold back the flood of Canadian wheat until a permanent levee could be constructed. In every month that has intervened since that time millions

of bushels of our wheat (aggregating over 300,000,000 bushels in the year) have moved out of the ports of this country to Europe, and been sold there in competition with wheat from Canada, Australia, Argentina and elsewhere. If prices in Winnipeg and Chicago are such that wheat moves steadily throughout the year from both these markets to Liverpool, it does not require a knowledge of trigonometry to determine the effect of the duty of 35 cents between Winnipeg and Chicago. It may prevent Canadian wheat from moving over our railroads and through our ports, and aid in building up Montreal as a port, but as a measure of protection to the American farmer its influence is practically nil.

If we are to judge of trade by the volume of sales, the advantage in our exchanges with Canada is on our side. We quote from Sir Edmund Walker, President of the Canadian Bank of Commerce. Speaking at the annual meeting of his institution of Canada's foreign trade in the twelve months ended September 30, 1921, he said:

Our total trade with Great Britain was $528,171,000, with purchases of $213,944,000, much the largest on record, but with sales of only $314,226,000, the smallest since 1915, leaving a surplus in our favor of only $100,281,000. Our total trade with the United States was $1,417,296,000. The imports were $856,613,000, the largest on record; the exports $560,683,000, also the largest, and the balance against us, $295,930,000, a trifle less than for the previous year. We are certainly improving the proportions of our trade with the United States; but we have a long way to go before an ideal condition is reached, and such measures as the Fordney tariff bill show conclusively that we must not expect any help from our neighbors towards making the two sides of our trading account more nearly equal in money value. * * *

Europe fixes the price for our grain and cattle, but the United States has been a buyer under certain conditions, and the possibility of selling there a surplus of cattle not immediately required by Europe, has been a protection against a loss in price which will affect all of our cattle if this additional market does not exist. The Fordney bill closes that additional market to us for cattle. For the year ending in March last the exports from Canada to the United States included commodities affected by the bill to the value of 168 millions of dollars, and to the extent of about 32 millions, these consisted of cattle and their products. While almost every country in the world is at the present time increasing its tariff in the effort to save its own industries, a creditor nation desiring to sell the products of its industries abroad and be paid for them, must have regard to the fact that payment can only be made in commodities. If the Fordney tariff remains in force, our power to buy from the United States will be curtailed accordingly, and we must in self-protection put every possible obstacle in the way of our people buying from that country the commodities for which we are thus rendered unable to pay.

The importations of cattle from Canada are mainly "feeders", to be fattened on corn, of which comparatively little is grown in Canada. Our great ranges which have produced grass-grown cattle in the past are being converted into farms, and the prairies of Canada to some extent supplement them. At this very time we have an over-supply of corn in proportion to feeding animals. The ultimate market for the surplus of live stock or meats in both Canada and the United States is Europe. If Canadian "feeders" come to this country for fattening, they will not only make a market for our surplus corn, but be converted into beef in our packing-houses, the offal will become fertilizer for our farms, cattle and meats will be transported over our railroad and in various ways the volume of our business will be increased.

In the case of fruits and vegetables there is a difference between the dates of ripening in this country and in Canada, Mexico and Cuba, which makes free movements between the countries desirable. Such reciprocity is as favorable to this country as to the others.

Arbitrary interference with natural trade relations, especially as between neighboring countries, is likely to cause undesirable irritation and ill feeling. Moreover, such duties are almost certain to be temporary, for taxes upon food are always unpopular in the centers of population which make states doubtful at the elections. Business will adapt itself to almost any conditions if they are permanent, but the worst feature of our tariff policy has always been its instability.

The Joint Commission of Agricultural Inquiry

The Joint Commission of Agricultural Inquiry, which was appointed in 1921 to investigate on behalf of the Congress the state of agriculture, the banking situation, the Federal Reserve system, etc., has been issuing its report in installments, and seems to have done its work in a careful and intelligent manner. The commission is composed of five members from the House and five from the Senate, with Congressman Sydney Anderson of Minnesota as chairman. The other members for the House are Congressmen Mills, of New York; Funk, of Illinois; Summers, of Texas, and Ten Eyck, of New York; the members for the Senate are Senators Lenroot, of Wisconsin; Capper, of Kansas (now head of the Agricultural bloc); McNary, of Oregon; Robinson, of Arkansas, and Harrison, of Mississippi.

The reports are voluminous and will repay examination. We note some interesting opinions upon points that have been in controversy.

Tight Money in Wall Street

It will be remembered that in the latter part of 1919, when money began to tighten, the charge was made by the then Comptroller of the Currency that the high rate for call money in New York was attracting money from the country to New York. We made the statement at the time that the real situation was the reverse of this; that in fact the withdrawal of country money from the New York

market was making the high rates here. The Commission has the following to say upon this point.

Beginning with November, 1919, and continuously throughout 1920 and the first half of 1921, the loans of New York banks made on the stock exchange for out-of-town correspondents, as well as the balances of country banks with New York banks, continuously declined, and an examination of the clearings of the Federal Reserve Bank of New York through the gold settlement fund shows a continuous flow of money on ordinary transactions from the Federal Reserve Bank of New York to other Federal Reserve banks during this period. The very great demands for money by industry and agriculture resulted in withdrawal of funds from New York, causing higher interest rates, instead of the demands of the stock exchange resulting in a withdrawal of funds from the banks serving industry and agriculture.

Reserve Discount Rates.

The Commission is of the opinion that the Federal Reserve Board should have advanced the discount rates in the Spring of 1919, instead of waiting until November to take this action. It says:

In the early part of 1919, following a short period of price deflation and business contraction, the question of increasing the discount rates of the Federal Reserve banks in the direction of the sounder policy of maintaining these rates above the going rates for commercial paper and above rates on Government bonds and certificates of indebtedness, arose. At this time the Government was considering the flotation of the Victory loan which it was then thought would involve $6,000,000,000. The Treasury Department was unwilling to undertake the flotation of the Victory loan at a rate of interest comparable with commercial rates on account of the possible effect which that action would have upon existing issues of private securities and its possible effect in requiring the refunding of the issue of Government bonds already floated.

The discount policy of the Federal Reserve banks was again subordinated to the Treasury policy in securing its credit requirements, although at this time the tendency toward expansion, speculation and extravagance was beginning to be apparent.

This was clearly the time for a policy of advancing the discount rates of the Federal Reserve banks with a view of curtailing the expansion, speculation and extravagance which was then beginning.

It is the opinion of the commission that a policy of restriction of loans and discounts by advances in the discount rates of the Federal Reserve banks could and should have been adopted in the early part of 1919, notwithstanding the difficulties which the Treasury Department anticipated in floating the Victory loan if such a policy were adopted.

There is strong support among bankers for this opinion. Of course, it must be considered that this is judgment rendered more than two years after the event, and hindsight always has an advantage over foresight. In the Spring of 1919, business was showing a tendency to let down, and with demobilization proceeding there was a prevalent fear that a serious amount of unemployment might be impending. Anxiety to avoid a course that might increase the tendency to reaction, as well as the desire not to interfere with Treasury financing, and not to advance rates upon money borrowed for the last Liberty loan until one year had elapsed from its flotation, was undoubtedly a factor in the Board's policy. But whatever the judgment may be upon this point, the most important point is that this is a very different kind of criticism from that which has been commonly directed at the Federal Reserve authorities. Most of the critics have thought that the rates ought not to have been raised at all.

A Farmer on the Reserve Board.

A great outcry was raised over the country against the Federal Reserve Board, based upon the charge that it had forced a drastic contraction of credit by raising the discount rates. If the Agricultural Commission is right in its opinion that the expansion should have been checked as early as the Spring of 1919, the Board was certainly on safe ground in attempting a check in the Fall of 1919, for the farther the country went along that road the more imperative was the need for action.

Out of the excited state of mind resulting from the unwarranted charges, and from the equally erroneous idea that the farmers were the chief sufferers and had been deliberately sacrificed, developed the demand for a "dirt farmer" on the Federal Reserve Board, to protect the farming interests in the future. The demand has been pressed by the agricultural bloc, although presumably these members of the Senate and House of Representatives are well aware by this time that the Reserve Board is blameable, if at all, for following too long precisely the policy that a "dirt farmer" would be expected to follow to the most calamitous extent. What was actually needed from the Board in 1919, as now determined by the Agricultural Commission, was courageous and decisive action, in the face of public opinion, along the line of scientific banking administration. If the Commission's opinion is accepted, we must believe that it would have been better if the Board had been wholly composed of members thoroughly informed upon approved banking practice, and if they had done their work regardless of pressure either from Government officials or the uninformed public that always wants interest rates low and credit unrestricted.

Nevertheless, Congress has now passed the bill to modify the complexion of the Board, for the very purpose of minimizing expert judgment and giving greater strength to the popular influence most likely to lead it into error. The new member will be only one of eight, a motion to add also a representative of organized labor having been voted down, we do not know why. It is very likely that the President in making his selection of a farmer will choose a broad-minded man who will soon learn, if he does not already know, that the interests of the farmers are best served by the same kind of banking policy that best serves all interests and who will soon make himself master of the established

principles of banking policy. The objection to the measure is not that it is dangerous to have a farmer on the Board, but that all the arguments for it have been unsound. It has been carried through by one of the spasms of ill-informed opinion of which the creation of the "bloc" itself is the chief expression.

Control of the Federal Reserve Banks.

In this connection it may be well to review briefly the organization of the Federal Reserve system. The Reserve Board is a supervisory body whose duties are chiefly to see that the law is observed. It is not charged with the details of administration. It has not the power to make loans or to say that specific loans shall or shall not be made, except as they would be in violation of law. It has no control over the expansion or contraction of credit, except through the discount rate. It is authorized to "review and determine" the discount rates, the language indicating that the initiative in fixing the rates is with the Reserve banks. It may require, or upon application permit, one Reserve bank to rediscount the paper of another.

The management of the Reserve banks, subject to these restrictions, is vested in the directors of the several banks, who must be residents of the several districts. The Board of each bank consists of nine members divided into three classes as follows:

Class A: Shall be chosen by the member banks.

Class B: Shall be chosen by the member banks and each must be actively engaged in commerce, agriculture or other industrial pursuit in their district; none of these may be an officer, director or employee of a bank, or a member of Congress.

Class C: Shall be appointed by the Federal Reserve Board and must have been for two years at least members of the district.

It will be seen that two-thirds of the directors are elected by the stock-holding banks, who supply the capital of the institutions, and that one-half of these directors must be named from outside the banking fraternity, agriculture being specifically named as one of the groups from which they must be chosen.

There is, therefore, no ground for the complaint that agriculture or industry is not represented in the conduct of the Reserve banks. They are represented where they can be most effective in the detailed management. The Reserve Board, however, which has a survey over the operations of the entire system is eminently the place for men of economic training and experience.

Official Discount Rates Should Be Above Market Rates.

Another noteworthy opinion expressed in the above quotation is that to the effect that according to sound policy the discount rates of the Federal Reserve banks should be above the current market rate. This has been the rule with the central banks of Europe, and is undoubtedly sound, but in this country thus far the rates of the reserve banks have been below current market rates, and the public is disposed to expect that the reserve banks will exert their influence for low market rates.

The function of the reserve banks is to preserve stability in the banking and business situation by the maintenance of ample reserves. In times of emergency and tight money their influence will be to prevent interest rates rising abnormally, but at other times they should be hardly a factor in the market. It never was intended that the Reserve banks should add in any considerable degree to the normal volume of bank loans, but rather that they should be able to give aid when especially needed. In order to occupy this position they should keep their resources mainly in reserve.

Reserve Bank Reserves.

While a reserve of approximately 77 per cent, as now shown by the consolidated statement of the twelve reserve banks, appears high when judged by the usual banking reserves, it is not so when judged by the functions and responsibilities of the reserve banks. This reserve is not only for the liabilities of the reserve banks but practically the only reserve for the liabilities of all the member banks and for the non-member state banks and trust companies as well. Holdings of Federal reserve currency, or a credit at a Federal Reserve bank, serve for other banks as a basis for several times that amount of credit. It is evident that this pyramiding of credit has dangerous possibilities. The basing of one form of credit upon another, as a general proposition and as a regular practice, is unsound. It was one of the weaknesses of the old system of reserves, before the Federal Reserve system was established, and where permitted at all should be carefully safeguarded against abuse. A helpful purpose is served by allowing the credit of a Reserve bank to be used as temporary support for member banks in an emergency, and to provide a desired degree of elasticity in the money supply, but under ordinary conditions reserve currency and reserve bank obligations of every kind should be very close in character to gold certificates. If they are not kept so, the reserve banks, instead of being a stabilizing factor will exert an exactly opposite influence, tending to swing the country to greater extremes than would be reached without them. That is the very opposite of what the reserve banks were established to do.

Necessary Restraint Upon Inflation.

The reserve system has demonstrated its capacity to supply additional credit in an emergency, but nobody ever doubted that it would be able to do this. Whatever misgivings ever have been felt about the soundness of the system have related to its ability to hold its members in check in a period of expansion. Unless the reserve banks can do this their own resources will be tied up along with those of the members, and when a crisis comes they all will be in trouble together.

If the reserve bank rate is below the current market rate, affording the member banks constant opportunity to make a profit by expanding their loans beyond their own resources, not only will the member banks be relieved of the wholesome restraint they formerly felt about lending their own funds to the limit, but they will be exerting steady pressure upon the resources of the reserve banks. This clearly ought not to be. If the central banks of Europe, where competition is under much greater restraint than in this country, have found it unwise to offer such temptation to the other banks, it certainly would be unwise in this country, with its multitude of local banking institutions, stimulated by rivalry to draw upon all possible credit resources.

One of the Dangers.

One of the difficulties to be overcome is that presented by the fact that when a member bank borrows to replenish its reserves its own lending power is increased by more than the amount it borrows. This makes it the more important that the reserve bank rates shall be above the market, and raises the question whether under the popular criticism to which Reserve bank officials are subjected the rates are likely to be made high enough to hold the members in check in times when their patrons are calling heavily upon them. In this respect the Reserve banks are in no different position from the central banks of other countries, but it must be constantly borne in mind that our numerous local banks are more intensely competitive than the branch bank systems of other countries, and therefore more subject to popular pressure in periods of expansion.

Commercial Crises and Unemployment.

Now is a good time for discussion of this important subject, while the ill results of the late inflation are keenly remembered, and before a new period of inflation begins. The country is interested just now in knowing how to secure stability in business affairs. The conference upon unemployment held at the call of President Harding in Washington last January appointed a committee headed by Secretary Hoover which is having an inquiry made by the National Bureau of Economic Research, upon commercial crisis and unemployment. We venture to predict that it will find the chief cause of these phenomena to be the excessive use of credit, but it is a question whether the public will approve of any banking policy intended to limit credit facilities. The public is always in favor of greater credit facilities.

The truth is that the public uses too much credit. It is a common saying that more men are ruined by having too much credit than too little. The tendency to expand every kind of business upon a basis of borrowed capital, reducing ownership to a small margin of the capital employed, results in instability. The inevitable fluctuations of trade are given an exaggerated effect. There is good reason to believe that the business of the country could be carried on with less credit, greater stability and a resulting increase in the volume of production and consumption. It is the steady operation of the industries that makes wealth, and the fluctuations in the use of credit are mainly responsible for the interruptions of industry.

Ample Farming Capital in Member Banks.

It should be understood that industrial activity does not require heavy drafts upon the Federal Reserve banks. There are ample credit resources in the other banks for all the regular needs of the country. If at any time the supply of banking capital should be deficient, capital will flow into the business from other employment. The available supply of bank credit should consist of the capital regularly employed in the business, plus bank deposits representing products and services in the current exchanges and constituting available working capital. If borrowing is regularly restricted to these sources the disturbing fluctuations of credit and prices will be greatly reduced.

The Rising Exchanges

Foreign currencies have gained notably in the last year and since the first of this year in their relations to the United States dollar. Below is given the table of the principal units, with figures for their value in our money at the 1st of June, 1921, December 31, 1921, and May 25, 1922.

	Unit Value.	Rate June 1, 1921.	Rate Dec. 1, 1921.	Rate May 26, 1922.
Germany	.2382	.0158	.0054	.0034
Italy	.1930	.0530	.0442	.0525
Belgium	.1930	.0839	.0709	.0842
France	.1930	.0840	.0739	.0910
England	4.8665	3.91	4.0775	4.45
Switzerland	.1930	.1764	.1917	.1908
Holland	.4020	.3458	.3575	.3890
Denmark	.2680	.1785	.1865	.2192
Norway	.2680	.1535	.1430	.1824
Sweden	.2680	.2300	.2380	.2578
Spain	.1930	.1322	.1415	.1580
Argentine	.9648	.7386	.7386	.8237
Japan	.4885	.4850	.4825	.4750

This change in the general situation has been due in the main to the falling off in the favorable balances arising from trade relations and the large volume of foreign loans made in the American market.

The following table shows the aggregate of new foreign loans, omitting refunding operations placed on the public market here from January 1, 1921, to March 31, 1922, as compiled by the Federal Reserve Bank of New York, and also the net foreign trade balances as shown by the official figures for exports and imports, including gold and silver, for the same time:

1921	Foreign Securities Purchased in U. S.	Credit Balance Merchandise including gold and silver
January	$50,500,000	$416,422,000
February	40,525,000	230,809,000
March	24,310,000	47,195,000
April	1,500,000	4,627,000
May	76,200,000	63,085,000
June	13,250,000	106,203,000
July	43,309,000	87,108,000
August	49,000,000	83,780,000
September	97,500,000	82,392,000
October	47,438,000	113,066,000
November	67,079,000	31,345,000
December	58,850,000	30,840,000
Total for Year 1921	$578,460,000	$1,296,872,000
1922		
January	$92,346,000	$34,771,000
February	57,768,000	9,351,000
March	155,513,000	39,851,000
Total for 3 Months	$305,627,000	$83,973,000
Total 15 Months....	$884,087,000	$1,390,845,000

Since and including March, 1921, the aggregate of loans has more than covered the trade balance plus the net movement of gold and silver. For the first three months of 1922 the loans have much more than balanced the trade and specie movement.

The most notable change has been in the case of the pound sterling, which has gained in relation to nearly all currencies, notwithstanding the slack state of British foreign trade. With a revival of trade it should be easily practicable to raise the pound to par and resume gold payments. Interest payments upon the debt to the United States, however, if begun this year, will be a serious drawback, as the sum accruing is about $200,000,000 per year.

Canadian exchange has become much more favorable to Canada, to some extent because of the improvement in sterling, as Canada settles in part by that means, and perhaps even more through the influence of her borrowings in this market.

The Deflation of Credit

The low point thus far reached in Federal Reserve bank deflation was touched in the statement for May 17, which showed total bill holdings of the twelve banks to be $565,819,000. On May 24, the holdings were $592,604,000. The high point of the holdings was on October 8, 1920, when they aggregated $3,101,361,000. On March 1, 1922, they were $808,201,000.

There has been no such deflation of member banks as of the Reserve banks. The high point of loans, discounts and investments for members reporting to the Federal Reserve Board was touched on October 15, 1920, when the total for 822 banks was $17,283,996,000. On May 17, 1922, the total for 799 banks was $14,933,903,000. The 23 banks not reporting at the last date probably were not important ones, and if they are ignored the reduction has been about 13 per cent. These figures include re-discounts, and are the ones to be considered in arriving at the actual contraction of credit. They show that the member banks have devoted all the liquidation they have obtained to reducing their obligations at the Reserve banks. The showing disproves the exaggerated statements that have been current in this country and abroad as to forced deflation in this country. Furthermore, they indicate that the local banks of the country are now loaned up close to their capacity, and suggest that any considerable expansion of the demand for credit will send the member banks back to the Reserve banks.

A surprising fact in this connection is that the 822 member banks reporting for October 15, 1920, held $13,674,015,000 deposits and the 799 member banks reporting for May 17, 1922, held $14,326,699,000 deposits. It is difficult to understand this apparent increase of deposits, in view of the general decline of deposits in the meantime, but these are the figures given by the Federal Reserve Board.

Farm Loan Bonds

An issue of $75,000,000 Federal Land Bank 4½s, dated May 1, 1922, optional May 1, 1932, and redeemable May 1, 1942, was sold on May 9 last to the twelve Federal Land Banks, in connection with a syndicate headed by Messrs. Alexander Brown and Sons, of Baltimore, and also consisting of Harris, Forbes and Company, Brown Brothers and Company, Lee, Higginson and Company, The National City Company, and the Guaranty Company, all of New York City, and a group of 1,200 leading investment houses in the United States.

The bonds were sold within a few hours and in order to meet an oversubscription of $42,000,000, the Federal Land Banks purchased from the United States Treasury that amount of Federal Land Bank 5s. The latter bonds

were taken over by the government from the Land Banks at the time the suit to test the constitutionality of the Farm Loan Act was pending in the Supreme Court.

By converting the $42,000,000 5% bonds into the 4½s of 1932-1942 an annual saving of $210,000 was effected for the Land Banks, this amount representing the interest difference between the 4½ and 5%.

The reduction in rate from the 5% brought by the $75,000,000 Federal Land Bank 5s sold on February 9, 1922, enabled the Federal Farm Loan Board to reduce the interest rate to farmers from 6% to 5½%, effective June 1.

Government Bonds

The Liberty bonds have been strong during the past month, all of the 4¼ per cent issues reaching par.

Branch Banks

The First National Bank of St. Louis has inaugurated a new departure by announcing the opening of several offices within the limits of that city. This has been done upon the advice of counsel and apparently with acquiescence on the part of the Comptroller of the Currency, although it is stated that the Comptroller has made no new ruling upon the subject. The final interpretation of the law rests with the courts and it may be that a test case will be made up.

Heretofore the Comptroller's office has held the opinion that a national bank was restricted by law to one office, and bills have been pending before Congress for several years to amend the law to the extent of allowing branch offices within the city or county in which the principal office was located, but have failed of favorable consideration.

The only direct provision as to offices in the law is that which appears in section 5134, revised statutes, which requires that the certificate of organization shall specify:

> 2d. "The place where its operations of discount and deposit are to be carried on, designating the state, territory or district, and the particular county, city, town or village."

The attorneys in this instance reason that since their client has a charter authorizing it to carry on a banking business in St. Louis, they may have such number of offices within the city as they deem suitable for the proper conduct of the business.

In other countries the banking business is commonly in the hands of a comparatively few corporations, which operate with a large number of branches. In Great Britain 75 per cent of the banking business is handled by 5 corporations, some of which have 1,500 or more offices. In Canada, seventeen chartered banks supply the banking facilities through about 4,650 offices. On the other hand, in the United States, banking is generally conducted by local institutions, owned in the community where they are situated, and having but a single office, although in some of the states the state law permits branches, and the national act expressly permits state banks converting into national banks to retain existing branches.

The failure of efforts to amend the national law to permit branches is evidence that public opinion in this country is opposed to the general development of the branch bank system, on the ground that it would tend to a centralized control that is considered undesirable, but this argument hardly applies to branches within the city in which the main office is located. The objection in such instances is unreasonable, as in a large city branches are a convenience, enabling business houses in the outlying districts to do their banking with downtown banks, which may be best able to serve them.

There is nothing in the new development which portends a general extension of branch banking.

Rise and Fall of World Prices, 1913-22

Based on Average Price per Pound of Principal Articles Imported and Exported.

By O. P. Austin
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Various measurements of the advance and decline of world prices during and since the war have been presented by the economists and statisticians of many nations usually in the form of "index numbers", in the making of which the methods are so varied and complex that their conclusions must be accepted "on faith" rather than by an actual measurement of the prices at which the principal articles of man's requirements were actually sold during the period in question.

The tabulations which follow are made with the purpose of measuring as nearly as possible the actual advance and decline in price in a common unit of measurement, pounds, of certain representative articles of international trade. It is based upon the official valuations named by the United States Government in its record of importation and exportation of the principal articles entering or leaving the United States, from the year preceding the war to the present time.

The custom houses of the country, as is well known, officially state the value (and quantity in most cases) of the principal articles imported and exported and when the statements of the various custom houses are combined and published by the Department of Commerce we have an official record of the total quantities and value of the principal articles imported or exported in each month and each year. While the quantities of the articles entering or leaving our ports are stated in various units of measurement, it is possible to transform them all into the common unit of pounds, and by comparing the num-

ber of pounds of a given article with the value as measured in dollars and cents, we may determine the average import or export price per pound in any given month or year of any or all of the articles in which the quantity and value entering or leaving the country is officially reported.

One especially important feature of this comparatively simple method of measuring the official valuation of the imports lies in the fact that the import values as stated by the Government are by law the actual selling price of the merchandise in the country whence shipped to the United States, or if the selling price is not named, their value must be fixed at "the actual market value or wholesale price at the date of exportation to the United States in the principal markets of the country whence exported." By accepting this valuation of the articles imported, transforming the quantities into the common unit of pounds and dividing the number of pounds into the stated value in dollars and cents, we get what would appear to be an average price per pound in the country whence shipped to the United States of the articles in question. The further fact that these official statements of the quantity and value of each article imported into the United States is an aggregation of the quantities reaching our ports irrespective of the countries from which they are drawn, renders the prices thus obtained a picture of the average world prices of the articles at the date at which they are sent to the United States. Thus the official statement of the quantity and value of the india rubber entering the United States, including as it does rubber from every part of the world producing that article, when transformed to the average price per pound for a given period, presents a picture of average world wholesale prices of that article during the period covered. In certain instances the import valuations are adjusted at the ports at which the merchandise enters, but in general terms the import prices represent the price in the country whence sent to the United States. On the export side, the valuations named by the Governmental reports of exports are by law "their wholesale value at the time of exportation in the ports of the United States whence they are exported." (These statements of the method by which valuations of imports and exports are made are a part of an official statement upon this subject as appearing in the Statistical Abstract of the United States, published by the Department of Commerce.)

The periods for which the Government states the imports and exports of the country are, first, by months and the accumulated months of the year, and at the end of the year the grand total of quantity and value imported or exported during the full year. Obviously in a study of this character, confined within reasonable limits of space, it is not possible to name the average monthly prices, since the number of months in the period from 1913 to 1922 would render the statement too elaborate, and the tabulations which follow therefore present merely the annual average of the prices per pound of the imports and exports enumerated in the tables. Nor has it been deemed advisable to name the prices for all of the many articles in which both quantity and value are stated in the Governmental reports, as this method would again render the statement unnecessarily elaborate and extend it beyond reasonable limits, especially for the busy man.

In determining the limited number of articles of which the import and export prices are to be stated in this study, care has been exercised to select representative articles of the three great groups into which the imports and exports naturally divide themselves, viz., Foodstuffs, Manufacturing materials, and Manufactures. The principal foodstuffs imported are sugar, coffee, cocoa, tea, fruits and nuts, fish, rice, and limited quantities of fresh meats. The principal manufacturing materials imported are cotton, wool, silk, fibers, hides, india rubber, tin, copper, and tobacco. The principal manufactures imported for which it is practicable to state the quantities in pounds, include cotton textiles, woolen textiles, silk textiles, fiber textiles, paper and pulp, and one or two representative articles of iron and steel, such as steel billets. On the export side the principal articles forming the foodstuffs group are wheat, flour, corn, barley, rye, rice, fruits, meat products, dairy products, and sugar. The manufacturing materials exported are chiefly cotton, tobacco, copper, lead, paraffin, naval stores and coal. The principal manufactures exported are cotton goods, automobiles, locomotives, steel rails, structural iron, steel sheets and plates, iron pipes, wire, leather, paper, and petroleum products in their various forms.

By grouping various articles of like general character under a single title such as "meat products", "dairy products", "fruits and nuts", "coal and coke", "naval stores", "hides and skins", it has thus been possible to picture in a single line the average import or export price per pound of a large number of articles of like characteristics or belonging to distinct groups and thus indicate the general upward or downward movement in prices of a combination of the principal articles of like characteristics. The goup "meat products", for example, combines total quantities and total values of the principal articles of this character, fresh and canned beef, hams, bacon, lard, etc., and thus represents the average price per pound of this group of the products of slaughtering, rendering unnecessary an attempt to state in detail the respective prices of the vari-

ous articles forming the group, and this method has also been utilized in determining the average price per pound of certain other groups of articles similar in their characteristics of production or consumption. By this method it has been practicable to picture the general advance or decline in approximate prices per pound of a very large number of articles but so grouped as to bring the statement within reasonable limits of space and study. The average prices per pound of individual articles so combined can readily be determined by those desiring more detailed information by reference to the publications of the Department of Commerce, which show quantities and values of the respective articles imported in each year during the term covered, and in many cases the average price by months and years.

The number of articles or groups selected for the import tabulation is 25, and the export tabulation 30. They are, as already indicated, divided into three great groups: Foodstuffs, Manufacturing material and Manufactures; the average annual import or export price per pound of each article is shown year by year, from 1913 to the elapsed months of 1922; and following the statement of the respective articles forming each group the annual average price per pound of all of the articles forming the respective groups. It should be remembered that the inclusion in these tables of certain articles of extremely low price per pound, such as coal, petroleum, and the cereals, brings the average price per pound of the entire group in which they are respectively included to a much lower figure than would be if the groups merely included the articles having a higher price per unit of quantity, such as cotton, wool, silk, tobacco, tin, copper, and the manufactures produced therefrom. The fact, however, that the prices per pound of these individual articles are separately shown enables the student to determine the upward and downward trend in average wholesale world prices of each important article imported and the average wholesale price at the ports of the United States of each important article exported.

Detailed comment upon the result of this study is unnecessary as the tabulations themselves show the general price movements of these representative articles during the eight years covered by the study, which relates in all cases to calendar years. It begins with the year 1913, all of which preceded the war, and may thus be considered a normal "peace" year, omits 1914 in the middle of which the war began, and includes all of the war years and those which have followed its close, including the averages for the two months of 1922 for which official figures are now available.

It will be seen from an examination of the annual average prices, year by year during the entire period, that the prices in most cases moved steadily upward to about the year 1920 (in a few cases the "peak" was reached in 1919) followed by a sharp decline in 1921, but that in many instances the figures for the two months of 1922 are slightly higher than the average of 1921, but far below that of 1919 and 1920. This slight upward movement in the opening months of 1922 is apparently a part of a general reaction from the sharp fall of 1921, as the price index numbers of 20 countries covering the opening months of 1922 show in a majority of cases a slight advance over those of immediately preceding months. In general terms it may be said that the "peak" in the upward movement was reached in 1919-20 and that the prices at that time average from 75 to 200 per cent higher than in 1913, and that the prices in the opening months of 1922 still average approximately 50 to 75 per cent higher than those of 1913, though in a considerable number of articles the 1922 prices are as low as in 1913. Of course, there are numerous exceptions to this general trend of upward and downward movements; the import price of raw sugar, for example, having been in 1920 six times as much as in 1913, while that of the opening months of 1922 is slightly below the average for 1913, while on the other hand the prices of india rubber imports in 1920 average slightly less than in 1913 and those of the opening months of 1922 were but about one-third as much as in 1913. All of these details, however, as to the average prices of the respective articles are shown in the tabulation and also the average of the advance and decline in the price per pound of all the articles forming the various groups into which the tabulations are divided, foodstuffs, manufacturing materials, and manufactures.

The transformation to the common unit of pounds in those articles in which the import and export figures are stated in terms other than that of weight, such as numbers of automobiles, locomotives and food animals; yards of cotton, woolen, fiber and silk textiles; gallons of oil and other liquids; boxes of citrus fruits; and "bunches" of bananas, have been made after consultations with the manufacturers, exporters or importers of the respective articles in which the official enumeration is in terms other than that of weight.

THE NATIONAL CITY BANK OF NEW YORK

AVERAGE PRICE PER POUND OF PRINCIPAL IMPORTS AND EXPORTS

Calendar years 1913 to 1921, and 2 months of 1922 (In cents and two decimals)

IMPORTS

	1913 cents per lb.	1915 cents per lb.	1916 cents per lb.	1917 cents per lb.	1918 cents per lb.	1919 cents per lb.	1920 cents per lb.	1921 cents per lb.	1922 cents per lb.
PRINCIPAL FOODSTUFFS									
Sugar, raw	2.04	3.39	4.11	4.51	4.62	5.61	12.59	3.94	1.99
Coffee	12.31	9.27	10.19	9.56	9.54	19.58	19.52	10.66	11.81
Cacao	12.82	13.55	13.92	10.54	10.55	14.83	15.69	7.54	8.31
Tea	17.91	18.52	18.56	20.31	22.41	24.72	26.62	18.43	21.10
Wheat	1.27	1.64	1.94	3.37	2.93	3.16	3.49	2.57	1.70
Rice	2.61	2.23	2.81	3.12	4.24	7.01	9.91	3.62	2.61
Fruits and nuts	0.66	0.72	1.04	1.25	1.68	1.89	1.96	1.31	1.46
Meats, fresh	9.21	9.23	9.73	14.21	19.22	18.23	13.72	12.02	12.91
Fish	4.41	4.22	5.13	6.11	7.91	7.62	7.71	7.32	7.96
Cattle	2.41	3.91	4.32	6.22	8.71	10.21	8.32	3.61	2.91
Average per pound	2.72	3.45	4.36	4.20	4.54	6.34	9.19	3.78	3.07
MANUFACTURING MATERIAL									
Cotton, raw	18.09	12.80	19.27	30.21	37.16	41.14	46.33	23.74	24.48
Wool	19.07	23.00	28.06	40.85	55.50	48.76	49.23	18.69	16.36
Silk	273.52	256.75	365.85	441.86	395.91	610.71	752.50	498.07	625.00
Fibers	5.82	5.11	5.97	10.78	13.30	11.15	8.80	6.31	5.88
Hides	21.08	19.65	23.82	33.28	29.83	41.20	47.84	19.54	21.43
Rubber	43.36	43.39	51.73	51.72	42.69	38.47	41.29	17.79	15.44
Tobacco	53.73	51.21	55.10	56.89	59.34	87.20	98.78	101.80	74.87
Tin	45.10	33.62	37.68	41.14	65.03	56.60	58.73	31.48	28.60
Copper	14.66	15.42	22.56	27.03	23.62	20.79	18.42	12.50	16.66
Average per pound	21.82	21.41	26.33	36.25	40.40	44.55	42.63	28.99	30.15
MANUFACTURES									
Cotton Textiles	75.00	63.33	75.00	93.93	150.00	138.40	148.57	111.50	100.00
Woolen Textiles	112.50	90.90	114.28	133.33	166.66	250.00	271.40	200.00	200.00
Silk Fabrics	570.00	400.00	650.00	566.00	662.50	933.33	1166.66	600.00	750.00
Fiber Textiles	11.74	8.85	10.94	12.43	16.42	16.14	19.17	10.25	17.07
Steel Billets	6.66	5.88	5.26	4.04	3.29	10.25	8.77	4.34	5.00
Paper and Pulp	1.63	1.65	1.95	2.95	2.81	3.20	4.82	3.99	2.99
Average per pound	5.43	4.20	4.60	5.86	6.18	7.13	9.74	6.70	5.92

EXPORTS

	1913 cents per lb.	1915 cents per lb.	1916 cents per lb.	1917 cents per lb.	1918 cents per lb.	1919 cents per lb.	1920 cents per lb.	1921 cents per lb.	1922 cents per lb.
PRINCIPAL FOODSTUFFS									
Wheat	1.59	2.30	2.45	3.86	3.95	4.02	4.56	2.57	2.04
Flour	2.37	3.18	3.01	5.09	5.12	5.54	5.61	3.52	2.84
Corn	1.07	1.41	1.56	2.50	3.08	3.11	2.62	1.28	1.16
Barley and Rye	1.13	1.51	2.01	3.13	3.56	3.09	3.43	2.25	1.55
Rice	3.57	4.07	4.12	5.79	7.14	9.28	9.41	3.50	3.79
Fruits	3.65	3.84	4.22	4.49	3.96	13.87	8.60	8.30	8.00
Sugar, refined	3.84	4.46	5.77	6.33	6.63	7.79	10.28	5.24	3.22
Meat products	11.79	12.39	14.18	20.13	26.69	30.37	23.84	14.74	12.62
Dairy products	9.09	19.41	12.00	13.70	15.20	15.91	17.85	13.79	12.19
Oil Cake, etc.	1.43	1.46	1.70	2.17	2.80	3.31	3.05	1.90	2.24
Average per pound	1.85	3,14	3.66	5.74	8.21	8.33	6.40	3.28	2.56
MANUFACTURING MATERIALS									
Cotton, raw	12.82	9.55	14.95	23.22	27.19	33.75	35.73	16.14	17.84
Tobacco	11.93	7.37	12.80	18.25	20.22	33.46	50.00	39.27	41.37
Copper, pigs	15.44	17.15	26.14	29.87	26.20	22.67	20.35	13.53	13.73
Lead, pigs	......	4.44	6.78	8.98	6.84	5.88	7.50	4.52	4.76
Paraffin	3.38	3.35	3.97	5.78	9.32	9.50	8.80	4.86	3.42
Naval Stores	2.47	2.46	2.85	3.24	4.20	7.45	8.81	3.40	2.59
Coal and Coke	.13	.12	.13	.18	.20	.24	.40	.30	.29
Average per pound	1.48	1.13	1.55	1.66	1.70	2.97	2.04	1.67	2.53
MANUFACTURES									
Cotton Cloths	20.51	30.23	37.41	49.73	77.53	88.88	177.82	55.07	58.01
Automobiles	28.72	42.41	31.49	28.61	60.36	40.97	40.81	35.49	29.41
Locomotives	6.08	10.75	8.87	11.65	16.48	18.75	21.01	22.36	24.92
Steel Rails	1.35	1.36	1.65	2.08	2.55	2.66	2.70	2.49	1.61
Sheets and Plates	2.22	2.33	3.37	6.16	6.79	4.88	4.78	4.30	3.50
Structural Steel	1.99	1.73	2.51	3.70	4.48	4.11	3.43	3.95	3.55
Iron Pipes	2.66	2.52	3.32	5.24	6.42	6.48	6.70	6.35	4.12
Wire	2.11	2.45	3.33	2.28	2.34	5.51	5.71	5.38	3.33
Sole leather	25.80	33.33	40.01	50.02	51.85	44.71	54.54	35.71	25.01
Printing Paper	3.24	3.24	4.31	5.45	5.66	6.97	10.21	10.81	6.66
Gunpowder	27.01	79.76	83.43	77.39	78.60	85.71	86.36	54.01	56.96
Tobacco mfd.	26.62	29.24	37.14	38.59	45.45	50.01	50.02	34.03	30.86
Cotton Seed Oil	6.79	7.10	10.10	13.60	19.32	21.24	18.91	9.50	9.02
Petroleum mfd.	1.03	.91	1.14	1.41	1.89	2.08	2.69	2.14	1.87
Average per pound	1.72	2.44	3.59	4.55	4.53	4.44	5.11	3.34	2.71
AVERAGE IMPORTS	5.70	6.42	8.36	9.54	10.11	12.34	13.63	6.52	6.43
AVERAGE EXPORTS	1.61	1.90	2.46	2.98	3.53	4.62	3.39	2.47	2.57